

LONGWOOD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2011**



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Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 7, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

President, Longwood University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **Longwood University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16.1, for the year ended June 30, 2011. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the University's financial statements.
2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2011, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed them to the amounts recorded as ticket revenue for those games.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amounts from the university's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.

11. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Longwood Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
12. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
13. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected any sports camp contracts between the University and persons conducting sport camps or clinics during the reporting period. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
17. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation, properly recorded in the accounting records, and deposited promptly and intact.

Expenses

18. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
19. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay

period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.

20. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
21. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for supplies, equipment, travel, and other general operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Longwood University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Longwood University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

LJH/clj

SCHEDULE

LONGWOOD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Totals
Operating revenue:					
Ticket sales	\$ 9,504	\$ 5,556	\$ -	\$ -	\$ 15,060
Student fees	912,417	827,172	3,068,820	1,815,954	6,624,363
Guarantees	390,000	30,000	11,000	-	431,000
Contributions	6,071	178,065	72,301	31,246	287,683
Indirect facilities and administrative support	-	-	-	9,451	9,451
NCAA revenue	-	-	-	169,908	169,908
Royalties, advertisements, and sponsorships	-	-	-	118,835	118,835
Sports camp revenues	-	-	155,370	-	155,370
Other	5,000	-	54,855	13,994	73,849
Total operating revenue	<u>1,322,992</u>	<u>1,040,793</u>	<u>3,362,346</u>	<u>2,159,388</u>	<u>7,885,519</u>
Operating expenses:					
Athletic student aid	375,264	384,708	1,447,346	-	2,207,318
Guarantees	12,635	-	-	-	12,635
Coaching salaries, benefits, and bonuses paid by Longwood and related entities	352,769	288,309	1,082,241	-	1,723,319
Support staff/administrative salaries, benefits, bonuses paid by Longwood and related parties	-	-	-	1,366,403	1,366,403
Recruiting	43,400	24,861	27,337	-	95,598
Team travel	117,402	90,622	341,712	1,456	551,192
Equipment, uniforms, and supplies	28,593	24,060	124,519	3,815	180,987
Game expenses	26,619	15,000	73,073	14,780	129,472
Fund raising, marketing and promotion	3,386	1,797	1,479	11,193	17,855
Sports camp expenses	-	-	99,095	850	99,945
Direct facilities, maintenance, and rental	-	-	-	128,498	128,498
Indirect facilities and administrative support	-	-	-	9,451	9,451
Medical expenses and insurance	247	35	-	135,041	135,323
Membership dues	-	1,099	8,254	12,300	21,653
Other operating expenses	49,230	84,674	199,666	316,492	650,062
Total operating expenses	<u>1,009,545</u>	<u>915,165</u>	<u>3,404,722</u>	<u>2,000,279</u>	<u>7,329,711</u>
Excess/(deficiency) of revenues over/(under) expenses before transfers	<u>\$ 313,447</u>	<u>\$ 125,628</u>	<u>\$ (42,376)</u>	<u>\$ 159,109</u>	<u>\$ 555,808</u>

*Other sports include baseball, cross country, field hockey, golf, lacrosse, soccer, softball, and tennis

The Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this schedule.

LONGWOOD UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES

INTERCOLLEGIATE ATHLETICS PROGRAMS

AS OF JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the Intercollegiate Athletics Programs of the University for the year ended June 30, 2011, and includes both those intercollegiate athletics revenues and expense under the direct accounting control of the University and those on behalf of the University's Intercollegiate Athletics Programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to, and does not present the financial position, changes in financial position, or cash flows for the year ended June 30, 2011. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non Program Specific."

B. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at cost or fair market value at date of donation. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing \$5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing \$25,000 or more and other intangibles costing \$100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than \$100,000. Normal repairs and maintenance are expensed in the year in which the expense was incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is five to 50 years for buildings and fixtures and three to 20 years for equipment. The general range of estimated useful lives for infrastructure is five to 30 years. The estimated useful life of software is five years, all other intangibles vary based on type and expected useful life.

The net book values for fixed assets in the Athletic department at June 30, 2011 are as follows:

Buildings	\$ 1,575,451
Construction in Progress	1,746,790
Equipment	96,431
Infrastructure	7,767,460
Land	1,042,794
Total	<u>\$12,228,926</u>

2. AFFILIATED ORGANIZATION

The University received \$287,682 from the Longwood University Foundation, Inc. to be used for the Athletic program. These contributions are included in the accompanying schedule.

3. LONG-TERM INDEBTEDNESS

The Intercollegiate Athletics Program transferred funds to the general University accounts to pay principal and interest payments on the long-term debt for the year ended June 20, 2011 as follows:

Lacrosse/Field Hockey Complex	\$ 335,675
Soccer Fields	129,469
Baseball/Softball Field	184,625
Willet Hall Renovation	120,125
Athletic Offices	296,362
Total	<u>\$1,066,256</u>

4. LONG-TERM DEBT

Long-term debt relating to intercollegiate athletics is shown below.

	Interest Rates	Maturity	Amount
Lacrosse / Field Hockey, Series 2004A	3.00-5.00%	2024	\$ 2,470,000
Soccer Fields, Series 2005A	3.75-5.00%	2025	1,375,000
Lancer Gym - Willet Hall, Series 2005A	3.50-5.00%	2025	1,290,000
Baseball / Softball 2006A	3.00-5.00%	2027	1,040,000
Lacrosse / Field Hockey, Series 2007A	3.00-5.00%	2028	1,100,000
Baseball / Softball 2007A	3.00-5.00%	2028	1,135,000
Athletic Offices	3.00-5.00%	2018	2,015,000
Total			<u>\$10,425,000</u>

Long-term debt matures as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 595,000	\$ 475,856
2013	630,000	446,031
2014	660,000	415,356
2015	685,000	384,913
2016	720,000	352,881
2017 - 2021	3,515,000	1,244,888
2022 - 2026	3,160,000	455,428
2027 - 2031	460,000	18,225
	<u>\$10,425,000</u>	<u>\$3,793,578</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2011 the amount of administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 15.98 percent, was \$562,102. Of this total, \$359,538 is included in the coaches' salaries, as well as support staff and administrative salaries and \$202,564 is included in other operating expenses on the accompanying schedule.

LONGWOOD UNIVERSITY

Farmville, Virginia

BOARD OF VISITORS

As of June 30, 2011

John B. Adams, Jr., Rector

M. Jane Brooke	Otis L. Brown
Marjorie M. Connelly	John W. Daniel, II
Edward I. Gordon	Rita B. Hughes
Chin Han Kim	Ripon W. LaRoche, II
Judi M. Lynch	Stephen Mobley
Susan E. Soza	Ronald White

OFFICIALS

Patrick Finnegan
President

Kenneth Perkins
Interim Vice President for Academic Affairs

Kathy S. Worster
Vice President for Administration and Finance

Richard W. Bratcher
Vice President for Facilities Management and Real Property

Tim J. Pierson
Vice President for Student Affairs

Francis X. Moore, III
Vice President for Information and Instructional Technology
Services and Chief Information Officer

H. Franklin Grant
Interim Vice President for University Advancement